

Barter Standard Monetary Economy and Socialism: Interrelationship and Earlier Mistakes

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Advantages of the Barter Economy

- (a) It is a simple form of trade, free from the complexities.
- (b) It eliminates the need for bills, invoices, and accounting.
- (c) It prevents the concentration of power.
- (d) It shields the country from balance of payments.
- (e) It safeguards national wealth by reducing unnecessary expenditure on the finance industry and protects against financialization risks.
- (f) In a barter economy, inflation is non-existent like in modern monetary systems where inflation exacerbates wealth inequality, making the rich richer and the poor poorer.

Disadvantages of the Barter Economy

- (a) Double coincidence of wants is required
- (b) Limited access to information
- (c) Absence of a standard unit of account
- (d) Production of large or costly goods becomes impractical
- (e) Inability to subdivide certain goods
- (f) Unnecessary transport of goods meant for exchange before the market place

Pros and Cons of Informal Credit

▶ Pros

- ▶ Goods and services moves along with credit
- ▶ Quick access – no paperwork or approvals
- ▶ No collateral required
- ▶ Flexible repayment schedules
- ▶ Minimal documentation & privacy
- ▶ Reaches those excluded from banks

▶ Cons

- ▶ Lack of legal consumer protection
- ▶ Small loan sizes only
- ▶ Risk of social conflict or harassment
- ▶ No credit score benefit

Advantages of Instrument-Based Credit

- ▶ **Legal enforceability** – written proof makes claims enforceable in law.
- ▶ **Lower default risk** – fewer chances of denial or dispute.
- ▶ **Transferability** – bills of exchange can be endorsed and transferred, boosting liquidity.
- ▶ **Facilitates long-distance trade** – letters of credit enable safe transactions.
- ▶ **Credit discipline** – fixed maturity and written terms encourage timely repayment.
- ▶ **Banking integration** – discounting or rediscounting instruments increases money supply and credit.
- ▶ **Audit trail** – clear documentation for accounting and bookkeeping.
- ▶ **Early liquidity** – businesses can discount receivables before maturity.
- ▶ **Reduces cash dependence** – cashless transactions improve efficiency and cut handling risks.

Disadvantages of Instrument-Based Credit

- ▶ **Default risk** – depends on issuer's ability to repay; default can cause major losses.
- ▶ **Complex legal & documentation** – detailed procedures and compliance make it hard for small or less-educated users.
- ▶ **Fraud & manipulation** – fake or misleading instruments can undermine trust and stability.
- ▶ **Liquidity constraints** – many instruments cannot be easily cashed before maturity, especially in weak markets.
- ▶ **Interest burden & debt accumulation** – borrowers may face insolvency or trigger wider crises.
- ▶ **Dependence on financial intermediaries** – raises costs and concentrates financial power.
- ▶ **Systemic risk & instability** – excessive trading can create bubbles and crises (e.g., over-leveraging)

Advantages of the Fusion Between Credit Instruments and Bank Accounts

- ▶ **Streamlined management** – all credit and account activities on one platform, reducing complexity.
- ▶ **Better liquidity** – seamless access to credit when balances are low, improving cash flow.
- ▶ **Lower transaction costs** – fewer intermediaries and less paperwork mean lower fees and faster settlement.
- ▶ **Improved credit assessment** – real-time account data enables accurate, dynamic credit decisions.
- ▶ **Greater financial inclusion** – embedded credit extends access to underserved populations.
- ▶ **Simplified record-keeping** – one unified statement for debit and credit, easing compliance and auditing.
- ▶ **Faster, secure transactions** – automatic disbursement and repayment reduce fraud and delays.

Disadvantages of the Fusion Between Credit Instruments and Bank Accounts

- ▶ **Systemic risk & contagion** – interlinked credit and deposits amplify instability, enabling crises and bank runs to cascade across the entire system.
- ▶ **Over-indebtedness & asset bubbles** – seamless credit access fuels impulsive borrowing, excessive lending, and unsustainable debt levels.
- ▶ **Poor transparency & budgeting** – blurred lines between own funds and credit obscure true positions and make costs unpredictable.
- ▶ **Weak consumer protection** – banks may exploit account data, impose hidden fees, or seize deposits via set-off clauses.
- ▶ **Regulatory & risk management complexity** – overlapping frameworks and merged risks make supervision and capital planning harder.
- ▶ **Fraud & data security risks** – one compromised account exposes both cash and credit, with centralised data attracting cyberattacks.
- ▶ **Bank dependence & switching barriers** – concentrated services increase vulnerability to failures, whilst non-standard products limit provider mobility.

Why Does the Fusion Create Systemic Risk & Contagion?

- ▶ **1. Deep Interconnection Creates a Single Point of Failure**

Credit and deposits become inseparable, meaning a problem in one automatically affects the other. Banks use deposits to fund credit instruments, creating a dangerous circular dependency.

- ▶ **2. Loss of Confidence Triggers a Domino Effect**

If borrowers default on credit obligations, the bank's ability to honour deposits weakens. Depositors panic and rush to withdraw funds, triggering a **bank run**. This simultaneously collapses both the credit and deposit functions.

- ▶ **3. Contagion Spreads Across Institutions**

Banks are interconnected through interbank lending and shared credit markets. One bank's failure creates losses for other banks holding its credit instruments. Panic spreads to customers of other banks, creating a **system-wide crisis**.

- ▶ **4. Real-World Example**

During the **2008 financial crisis**, the deep fusion between mortgage-backed credit instruments and banking deposits meant that mortgage defaults rapidly drained bank reserves, froze credit markets, and triggered global banking collapses.

Disadvantages of the Unholy Merger Between Credit Instruments and Commodity Money

- ▶ **Conceptually incompatible** – Credit instruments fused with commodity money's unit-of-account creates an “unholy marriage.”
- ▶ **Detached from real trade** – Paper money circulates independently, decoupling money supply from actual economic activity.
- ▶ **Enables financialisation** – Double-entry banking allows repeated re-lending, generating massive systemic debt.
- ▶ **Leads to over-issuance** – Authorities print excess paper money, causing speculative bubbles (e.g., John Law's collapse).
- ▶ **Cantillon effect** – New money benefits the rich first, impoverishing the poor via inflation.
- ▶ **No value basis** – Money loses link to embodied labour or utility, becoming purely speculative.
- ▶ **Fuels fraud & crises** – Enables banking fraud and periodic crashes (e.g., 2007-08 crisis).

Flaws of the Loan–Cycle Money System & The Case for a Trade–Cycle Monetary System

- ▶ **Financialisation is the root cause of modern crises** – Recessions, inflation, and depressions were absent in barter/commodity–money eras; they emerge only when credit and banking money detach from real trade.
- ▶ **Most money is privately created debt** – 90–97% of money supply comes from commercial banks as interest–bearing loans, not from central bank base money, enabling excessive speculation.
- ▶ **Loan–cycle money fuels bubbles** – Debt–based creation leads to stock market bubbles, real estate speculation, and periodic crashes (e.g., 1873 Long Depression, 1929, 2008).
- ▶ **Proposed solution: trade–cycle money** – Money issued only against trade invoices between producers and retailers, ensuring supply matches actual goods and services.
- ▶ **Demurrage (expiring money)** – Assign a 1–3 year lifespan to consumption money; unused money expires, preventing hoarding and forcing circulation.
- ▶ **Separate speculative money** – Require a one–month waiting period to convert speculative–market money back to trade–cycle money, isolating financial speculation from the real economy.
- ▶ **Interest–free, debt–free system** – MCI is issued based on real production and government bank only allows 0% interest based loan and money holder get the equivalent value MSP; thus no interest on deposits or loans. Savings must be converted to transactional money, ending debt–driven instability.

Why Real Bill Doctrine Based Banking on the Principle of Industrial Production of Money

- ▶ **Money tied to real output** – credit is only issued against genuine commercial bills backed by actual goods, ensuring every unit of money reflects tangible production.
- ▶ **Self-liquidating credit** – money automatically extinguishes as goods are sold and bills mature, mirroring the natural cycle from production to consumption.
- ▶ **Supply-driven expansion** – money supply grows organically in proportion to real economic activity, just as factories increase output to meet genuine demand.
- ▶ **Money as a byproduct of production** – credit naturally emerges from productive transactions, treating money creation as an organic outcome of the industrial process.
- ▶ **Built-in quality control** – strict eligibility criteria ensure only short-term, self-liquidating bills backed by real merchandise can generate new money.
- ▶ **Monetary equilibrium maintained** – anchoring money to the volume of goods produced and traded keeps supply balanced, ensuring price stability.
- ▶ **Speculation prevented** – credit cannot be extended for speculative purposes, keeping the financial system grounded in productive industrial activity

Benefits of Fusing Industrial Production Cycle of Money with Trade Cycle Theory of Money

- ▶ **Synchronised money and economy** – money enters during production and exits upon trade completion, maintaining natural monetary rhythm.
- ▶ **Automatic boom–bust prevention** – money expands during genuine trade and contracts during downturns, preventing artificial booms and deflationary busts.
- ▶ **Inflation and deflation control** – money grows in step with goods produced and traded, eliminating excess liquidity and monetary shortages.
- ▶ **Credit anchored to productive trade** – lending finances only real production and genuine commerce, blocking speculation and financial gambling.
- ▶ **Price stability and fair discovery** – money reflecting production costs and trade dynamics ensures prices represent true value with minimal distortion.
- ▶ **Self–correcting financial system** – overproduction contracts credit automatically whilst rising demand stimulates proportionate monetary expansion.
- ▶ **Sustainable economic growth** – harmonising money with industrial output and trade fosters genuine wealth creation rather than unsustainable debt accumulation.

From Irving Fisher to Milton Friedman: Failures of the Quantity Theory of Money (16)

- ▶ **Flaws in the Quantity Theory of Money (QTM):** Irving Fisher's version assumes velocity (V) is relatively constant, which often does not hold in real-world economies. Milton Friedman, however, argued that velocity is not constant but reasonably predictable over time. In practice, velocity can fluctuate significantly due to financial innovation, changes in interest rates, and broader economic conditions, which limits the theory's accuracy.
- ▶ **Failure of Monetarism in 2008 Crisis:** The 2008 financial crash exposed monetarism's limits—controlling money supply alone couldn't stabilize the economy, forcing central banks to adopt hybrid models combining Keynesian fiscal stimulus (e.g., bailouts) with monetary tools like quantitative easing (QE).
- ▶ **Arbitrary Interest Rate Policies Harm Borrowers:** Following Friedman's theory, central banks raise interest rates sharply to combat inflation—e.g., Turkey's rate rose from 8.5% to 40% in 2023—forcing borrowers who took loans at low rates to later pay exorbitant interest, worsening economic distress.
- ▶ **Modern Money Is Digital, Not Physical:** QTM was relevant when paper money dominated, but today most money exists electronically. Electronic money cannot be hoarded like cash, making traditional assumptions about money supply and velocity obsolete.
- ▶ **Detachment of Money from Production Causes Crises:** Economic instability arises because the money supply is treated as separate from the real production cycle. Ideally, money supply should equal the value of consumer and capital goods produced—not be arbitrarily expanded by central banks.
- ▶ **Commodity Money Was More Stable:** Precious metal-based commodity money eliminated business cycles by linking money directly to production (as a finished good). Unlike credit-based systems, it avoided speculative distortions and detachment from the real economy.
- ▶ **Proposed Solution – BSUAMS:** The Barter Standard Unit of Account Monetary System (BSUAMS) ties total money supply (M) directly to available capital and consumer goods, creating a fixed relationship between money and production output to prevent boom-bust cycles.

Alternative Monetary Theories: Gesell, Wörgl Experiment, and Proudhon's Mutual Credit (18–20)

- ▶ **Gesell's demurrage money:** Proposed a “use fee” (stamp tax) on money to prevent hoarding, forcing rapid circulation and reducing speculative cycles.
- ▶ **Keynes and Fisher on Gesell:** Keynes discussed Gesell's ideas in *General Theory*; Fisher explored stamp scrip as money tied to real goods, not credit.
- ▶ **Wörgl experiment (1932–33):** Austrian town issued 32,000 “Free Schillings” with 1% monthly demurrage; money circulated 463 times, cutting unemployment by 25% in one year.
- ▶ **Proudhon's mutual credit:** Credit as trust-based exchange without interest; workers should control banking through cooperative, non-profit mutualist systems.
- ▶ **Labour notes:** Proudhon explored labour-based currency (influenced by John Gray) but preferred decentralised mutual credit over state-controlled money.
- ▶ **Marx vs. Proudhon:** Marx rejected labour notes and mutual credit as insufficient reforms, demanding revolutionary change; Proudhon sought peaceful, evolutionary transformation.
- ▶ **BSUAMS link:** Modern BSUAMS system ties money to production (MCI units), similar to mutual credit but state-managed, using token commodity anchored currency or future labour notes if standard labour note developed in future.

Reassessing Capitalist Crises: What is Right – Over-Financialisation or Overproduction (37–39)

- ▶ **Say's Law vs. Credit Money Reality**

Jean-Baptiste Say argued that production creates its own demand, preventing systemic overproduction. However, this holds only in a pure commodity money system (e.g., gold), not in a credit-based economy where money supply expands and contracts artificially.

- ▶ **The Core Problem: Non-Integration of Two Monetary Theories**

Economic crises stem from the flawed, unregulated fusion of the commodity theory of money (intrinsic value, e.g., gold) and the credit theory of money (debt/trust-based). No economist has successfully synthesised these into a stable, unified system.

- ▶ **Historical Crises Caused by Faulty Monetary Systems, Not Capitalism**

Major crashes (1873–1896, 1929, 2008) were not due to capitalism's inherent contradictions but resulted from fractional reserve systems, artificial money supply expansion, and rigid gold standard rules (e.g., UK's 1844 Bank Charter Act).

- ▶ **Marx's Incomplete Crisis Theory**

Marx wrongly attributed 19th-century crises to capitalism's "anarchy of production" and falling rate of profit. He failed to recognise that monetary contraction and credit expansion—not production flaws—were the primary drivers of overproduction episodes.

- ▶ **Over-Financialisation as the Real Cause**

Rudolf Hilferding first linked overproduction to the dominance of finance capital and excessive credit creation. Later, Minsky's Financial Instability Hypothesis showed that speculative lending (Ponzi stage) inevitably leads to crashes when money supply contracts.

- ▶ **Overproduction Is a Symptom, Not a Root Cause**

What appears as overproduction (goods unsold) is actually a post-crash symptom of sudden credit contraction (debt-deflation, as Fisher explained). Productive capacity and worker willingness remain intact; the failure is in the monetary system's coordination.

- ▶ **Proposed Solution: Anchor Money Supply to Production**

The author advocates linking money supply directly to the production process of goods and services (similar to the Real Bills Doctrine), with unit of account anchored to commodity value (e.g., a copper coin standard), restricting endogenous credit to working capital only.

Marxist Ambiguity on Money, Markets, and Crisis Causes (34–36)

- ▶ **Marx opposed money & markets** – wanted them abolished in communism; only non-transferable labour certificates in socialism, no banking or saving.
- ▶ **Criticised Proudhon's labour notes** – dismissed interest-free credit and mutual banking as naïve, but offered no practical monetary alternative.
- ▶ **No blueprint for use-value** – Marx never specified who determines use-value in communism; left central planning without a functioning price mechanism.
- ▶ **Crises misattributed** – blamed capitalism's internal contradictions, not the credit system's money multiplier or double-entry accounting loopholes.
- ▶ **Ignored credit contraction** – failed to see that booms and busts stem from banks creating money “out of thin air” and sudden credit crunches (Fisher, Minsky).
- ▶ **Labour theory of value impractical** – later Marxists (Bernstein, Lange, Robinson) rejected or revised it, favouring marginal utility and market socialism.
- ▶ **Fiat money contradicted Marx** – USSR used fiat money despite Marx's preference for commodity money or labour vouchers, revealing his theory's gaps.

True Socialism Through Minimal Government: The Barter Standard Economy Solution (51–53)

- ▶ **Resolves Polanyi's Market Socialism Gaps**
The Barter Standard Economy addresses Polanyi's critiques (commodification of money, land, labour) without relying on strong government intervention or heavy regulation.
- ▶ **Ends Money Manipulation & Business Cycles**
Money supply always equals the total value of goods/services—no inflation, deflation, interest rates, or deficit finance, eliminating monetary-driven trade cycles.
- ▶ **Balances Unequal Exchange via Progressive Taxation**
Wealthy pay 50% corporate tax, 50% income tax, 50% inheritance tax, plus wealth tax, while lower-income groups pay zero consumption tax.
- ▶ **Rejects Keynesian Deficit Finance**
The 1929 and 2008 crises were caused by uncontrolled endogenous credit, not free-market flaws—limiting credit to working capital prevents boom-bust cycles.
- ▶ **Minimal Government Model Over Maximum Government**
Unlike Marx's transitional authoritarian state or Keynesian expansion, government is limited to defence, justice, banking oversight, and public works—no inflation or consumption taxes.
- ▶ **Welfare Credit System Replaces Tax-Funded Welfare**
0% interest, service charge-free, collateral-free welfare credit repayable only from personal income (max 20%), written off at death if unpaid—no coercive collection.
- ▶ **True Socialism = Equality of Opportunity, Not Outcome**
Guarantees universal access to basic needs (food, shelter, healthcare, education) via welfare credit, but does not enforce equal outcomes—unlike Marx's vision.

Democratic Rights to Land, Technology, IPR, and Capital: Removing Monopolies for True Economic Equality (56)

- ▶ **Core Factors of Economic Inequality**
Unequal access to land, technology, know-how, brand value, patents, copyrights, capital, and skills training creates "equality among unequals" and blocks healthy competition.
- ▶ **Worker Cooperatives as a Solution**
Individual workers can own one machine each (using personal property as collateral), then cooperate to produce goods—eliminating the employer–employee relationship and wage labour exploitation.
- ▶ **Notional Nationalisation of Intellectual Property**
IPR should be publicly owned (by society/state), with developers compensated for actual R&D costs via per-unit usage fees—once costs are recovered, technology becomes free for all.
- ▶ **Democratic Access to Capital**
Nationalising banks alone fails (cronyism persists); instead, worker-owned machines and cooperative structures allow collateral-free access using personal property, democratising capital.
- ▶ **Brand Monopolies Are Unjust**
Selling brand rights to another country enables rent extraction from natural resources (e.g., Bhutanese water sold under a foreign trademark)—brand value should be state-supervised, not privately traded.
- ▶ **Ending Forced Software Obsolescence**
Companies like Microsoft compel upgrades through proprietary file formats—a cost-sharing IPR model would prevent monopoly lock-ins and allow fair access to core technologies.
- ▶ **Government-Provided Brand & Quality Standards**
The state can fix quality parameters and provide a public brand for worker cooperatives, enabling them to compete with private businesses without needing to build costly brand goodwill from scratch.

Oversight of Smith and Marx Regarding the Non-Intrinsic Nature of Paper Money: Case for a Fixed-Unit Ledger System (61–63)

- ▶ **Smith & Marx Overlooked Credit Money's Non-Intrinsic Nature**
Both assumed commodity money (gold/silver) as the standard, failing to analyze how paper and ledger credit create money endogenously without intrinsic value.
- ▶ **Credit Theory of Money Enables Boom-Bust Cycles**
Fractional-reserve banking and double-entry accounting multiply money supply through lending, fueling speculative bubbles and inevitable crashes (1929, 2008).
- ▶ **Historical Ledger Systems Were Stable**
Mesopotamian temple ledgers and medieval merchant ledgers recorded only real credit without multiplication—no artificial money expansion or business cycles.
- ▶ **Promissory Note Multiplication Creates Paradox**
A single promise to pay is re-lent and re-deposited, expanding broad money far beyond original reserves—Smith and Marx never addressed this contradiction.
- ▶ **Limited Liability + Endogenous Money = Moral Hazard**
Banks create money “from thin air” while owners face no personal risk, encouraging reckless lending, bailouts, and inflation that harms the poor.
- ▶ **Fiat & Sovereign Money Solutions Are Flawed**
Gold standard requires impossible reserves; sovereign money (CBDC) still allows private lending velocity and fiat devaluation—no system eliminates cycles.
- ▶ **Proposed Alternative: Central Ledger Credit for Working Capital Only**
Limit endogenous credit to value-addition in production, separate speculative money, and ensure total money supply equals monetary value of goods/services.

Beyond Gold Standard and Fiat: The Barter Standard Solution to Monetary Crises (64–67)

- ▶ **Gold Hoarding Hinders Growth & Socialism**
Selling excess gold unlocks productive capital—countries that hoard gold (like India's temple gold) miss economic growth opportunities; abandoning gold reserves for investment advances socialist welfare.
- ▶ **1929 Crash Caused by Speculative Credit, Not Gold Standard**
The gold standard did not cause the Great Depression—unchecked margin lending and endogenous credit expansion (1920–1929) created the bubble; central banks' rigidity worsened it, but the real flaw was credit multiplication.
- ▶ **Fiat Money Is No Better Than Gold Standard**
Kindleberger, Keynes, and Friedman wrongly blamed gold while ignoring fiat's own failures: Japan's 35-year stock market recovery, 2008 crisis, and \$36 trillion US debt prove fiat also enables boom–bust cycles.
- ▶ **Sovereign Money Movements Fail Due to Over-Issuance**
Historical examples (China's Jiaozhi, Continental Dollars, Assignats, Greenbacks) all collapsed from excess printing—no sovereign money proposal prevents deficit finance or future ruler misuse.
- ▶ **Production–Cycle Money Solves the Core Problem**
A monetary system where total money supply always equals the monetary value of goods/services (MCI) eliminates inflation, deflation, and credit-driven bubbles—unlike credit theory or sovereign money.
- ▶ **Japan's Lost Decades Show Fiat's Fatal Flaw**
Japan adopted fiat money after 1971, experienced a speculative bubble (1980s), then a liquidity trap and 35 years of stagnation—BSUAMS would have kept money supply tied to production, preventing the crash.
- ▶ **BSUAMS Separates Speculative Money from Daily Money**
Money for consumption/investment (MCI) is single-use, interest-free, and expires within one year—speculative money (MS – MLP) is isolated, so stock or land crashes never harm the real economy.

Moral Hazard in Modern Banking and Corporate Finance: The Case Against Limited Liability (68–70)

- ▶ **Private Bank Money Printing Causes Instability**
Historical free banking eras (pre-1913 US) saw recurrent panics (e.g., Panic of 1907) due to uncontrolled note issuance—money creation must remain a government responsibility.
- ▶ **Limited Liability Shifts Risk to Third Parties**
Small creditors and suppliers cannot perform due diligence; when a limited company fails, they bear the loss while shareholders' personal assets remain protected.
- ▶ **Salomon Case Cemented the Veil of Incorporation**
The 1897 House of Lords ruling confirmed separate legal personality, allowing shareholders to escape liability beyond unpaid share capital—enabling exploitation of the corporate form.
- ▶ **No Mandatory Insurance for Third-Party Losses**
Despite decades of corporate fraud, no country requires “insolvency insurance” for limited liability businesses to protect innocent creditors and suppliers.
- ▶ **Adam Smith Opposed Limited Liability in Banking**
Smith argued that bankers handling “other people’s money” must risk their entire fortune; only unlimited liability ensures prudent lending and prevents reckless speculation.
- ▶ **Historical Economists Condemned Bank Limited Liability**
Simons, Fisher, Rothbard, and Huerta de Soto all warned that limited liability + fractional-reserve banking creates moral hazard, enabling excessive risk with depositors' money.
- ▶ **Too-Big-to-Fail Bailouts Punish the Public**
After 2008, bankers expecting state rescue used taxpayer funds (QE, bailouts) while unlimited liability would have forced personal accountability, reducing crisis damage.

Financialisation, Monopoly Capitalism, and the Illusion of Overproduction: From Colonialism to Neo-Feudalism (70–74)

- ▶ **Limited Liability in Banking Creates Moral Hazard**
Adam Smith and later economists (Simons, Fisher, Rothbard, Huerta de Soto) argued that banks handling “other people’s money” should face unlimited liability—otherwise, bailouts and reckless lending become inevitable.
- ▶ **Financialisation Is Not New – It Repeats in Hegemonic Cycles**
Arrighi showed that Genoa, the Dutch Republic, Britain, and now the US all shifted from productive expansion to financial dominance before decline—financialisation signals hegemonic aging, not just neoliberal policy.
- ▶ **Overproduction Is an Illusion Caused by Credit Contraction**
Marx blamed anarchic production, but the real crisis comes from sudden money supply contraction when speculative bubbles burst—colonies only temporarily absorbed surplus; domestic demand management (Keynes, Douglas) offers a real solution.
- ▶ **Physical Colonialism Was Replaced by Financial Imperialism**
After WWII, dollar dominance, IMF/World Bank structural adjustments, and petrodollar arrangements replaced territorial colonies—extracting wealth from the Global South through debt and financial tools.
- ▶ **Global Financial Assets Now Exceed 4–5 Times World GDP**
BIS, FSB, and McKinsey data show financial assets (derivatives, bonds, equities) have grown to \$500 trillion vs. \$100 trillion GDP—speculative finance dominates productive investment, fueling systemic fragility.
- ▶ **Modern Money Printing (QE) Benefits the Wealthy, Not Workers**
Cantillon’s effect shows new money enters unevenly—early recipients (banks, large corporations) inflate asset prices before inflation spreads, worsening inequality and entrenching monopoly capitalism.
- ▶ **Financial and Monopoly Capitalism Resemble Neo-Feudalism**
Credit manipulation and financial assets replace land and muscle power—a new oligarchy of financial moguls controls markets, reducing competition and creating “techno-feudalism” (Varoufakis) or “neo-feudalism” (Kotkin).

How Banks Create Money from Thin Air: Endogenous Credit, Double-Entry Loopholes, and the Rise of Finance Capital (75)

- ▶ **Hilferding Missed the Monetary Mechanics**
He argued banks dominate industry through finance capital (loans, shareholdings, monopolies) but never analyzed how double-entry accounting allows banks to create money endogenously.
- ▶ **Wicksell & Schumpeter Recognized Bank Credit Creation**
Wicksell (1898) showed money supply arises from bank credit, not just reserves; Schumpeter (1911) stated banks create new purchasing power, not merely redistribute savings.
- ▶ **Kaldor & Moore Formalized Endogenous Money**
In the 1970s–80s, they proved banks create deposits when issuing loans – money is created “out of thin air” in response to credit demand, not from pre-existing funds.
- ▶ **Double-Entry Accounting Is the Loophole**
When a bank approves a loan, it credits the borrower’s account (liability) and records the loan as an asset – new money appears with no cash transfer. Galbraith: “The process is so simple the mind is repelled.”
- ▶ **Interbank IOU Settlements Multiply Money Supply**
Example: Banks P, Q, R lend to each other and cancel IOUs through netting – cash reserves unchanged, but banking money supply increases by Rs. 600, creating profit from nothing.
- ▶ **Endogenous Money + Limited Liability = Moral Hazard**
Banks create money with minimal capital, and if they fail, owners escape under limited liability – taxpayers bear bailouts and inflation (e.g., 9,000 banks failed after 1929; 2008 bailouts).
- ▶ **This Drives Financialisation & Ponzi Finance**
Permanent absorption of money into assets (stocks, real estate) fuels speculation, recurring crises, and Minsky’s Ponzi stage – economies become dependent on continuous debt refinancing.

The Barter Standard Monetary System: Self-MCI Creation, Destruction, and the Money Bounce Principle (77–78)

- ▶ **Nationalisation & Restructuring** – All existing banks are nationalised and merged into the central bank, which then operates through nine specialised, government-controlled banking divisions (e.g., NBNM, NBC, NBBi).
- ▶ **Money Creation by Retailers** – New MCI (Money for Consumption and Investment) is created when a retailer purchases goods from a final goods manufacturer using a special credit facility from the National Bank for New Money (NBNM).
- ▶ **Money Destruction via Final Sale** – MCI currency is destroyed when a consumer or investor finally purchases those goods for consumption or investment, meaning each unit of MCI can be used only once for goods purchases.
- ▶ **Three-Year Maximum Lifecycle** – MCI currency has a maximum validity of three years, with staged requirements: spend or save in year one, extend via back-stamping in year two, and convert to loans for capital goods in year three.
- ▶ **Money Bounce for Pure Services** – In the pure service sector (e.g., teaching, barbers) and non-industrial production (e.g., small restaurants), MCI currency is not created or destroyed but simply "bounces" from person to person until finally used to buy industrial goods.
- ▶ **No Interest, Only Service Charges** – Credit disbursement under this system charges no interest; banks levy only service charges, and government covers NBNM operating expenses from revenue resources.
- ▶ **Programmable Digital CBDC Format** – MCI is issued as programmable CBDC with a three-year lifespan, enabling automatic expiry, real-time national transaction registers, and simplified economic surveys.

Zero-Cost Bill Discounting and Centralised Multiple-Entry Accounting in the Barter Standard Economy (79–80)

- ▶ **Zero-Cost Working Capital** – The National Bank for Businesses (NBB) provides zero-cost bill/invoice discounting for all registered industrial businesses, eliminating interest on working capital.
- ▶ **Real Bills Doctrine in Practice** – CMB money moves parallel to goods and services during value addition; money supply automatically aligns with the monetary value of domestic production.
- ▶ **Three-Party Invoice Contract** – Every business transaction involves consignor, consignee, and transporter signing a single CMEAS-compatible invoice, which serves as both contract and payment instruction.
- ▶ **Passed-On vs. Earned Income** – Invoices separate "passed-on" costs (from previous suppliers) from newly created value; only Labour, Depreciation, Self-Insurance, and Profit heads represent actual business revenue.
- ▶ **Centralised Multiple-Entry Accounting (CMEAS)** – A detailed protocol with over 130 factor cost columns enables real-time payment, taxation, and billing simultaneously, going beyond double-entry accounting.
- ▶ **Folder-Account Payment System** – Payments move from folder-account to folder-account within the same bank; passed-on heads are treated as loans, while non-passed-on heads are income for wages, dividends, and reinvestment.
- ▶ **Government-Backed Operations** – The state covers NBB's operating costs in return for real-time tax collection and maintenance of a national e-repository of all business invoices.

Foreign Indirect Investment: Rethinking FDI and FPI in the Balance of Payments Context (82)

- ▶ **Post-1991 Liberalisation** – After the USSR collapse, developing countries opened markets under Western influence, driven by the Washington Consensus and neoliberal reforms (trade liberalisation, privatisation, deregulation).
- ▶ **FDI vs. FPI** – FDI brings long-term capital, jobs, technology transfer, and infrastructure; FPI only temporarily addresses currency shortages with volatile, short-term liquidity and no structural benefits.
- ▶ **US Dollar's Exorbitant Privilege** – Global demand for the dollar allows the US to finance continuous trade deficits cheaply by selling Treasury bonds to surplus countries (Japan, China, oil exporters).
- ▶ **FPI Reinforces Dominant Economies** – Portfolio inflows in dollars often recycle capital back to the US via its assets, indirectly strengthening the financial system of the dominant power.
- ▶ **Profit Repatriation Burden** – Both FDI and FPI can become long-term economic burdens when host countries struggle to provide foreign currency for repatriated profits and returns.
- ▶ **Technology Access via FDI Mandates** – Advanced technology is often unavailable for purchase; dominant countries force host nations to accept FDI or joint ventures instead of simple licence agreements.
- ▶ **A Middle Path: Foreign Indirect Investment** – Host-country-financed FDI eliminates foreign exchange pressure; profits repatriated like remittances, keeping operations domestically funded while retaining FDI classification.

Price Stability and Fair Competition in the Barter–Standard Economy (87–91)

- ▶ **Annual Wage & Price Fixing** – Employees can demand salary changes only once per year; businesses set product prices for the entire financial year, ensuring predictability.
- ▶ **Profit Control, Not Price Control** – Businesses receiving 0% interest, service charge-free loans voluntarily agree to government-mandated profit caps; loans have 10–30 year repayment terms.
- ▶ **Digital Rationing for Scarce Goods** – Using mobile apps and unique citizen IDs, rationing of scarce commodities can be implemented within 24 hours through private vendors.
- ▶ **Public Sector Incentives for Equity** – Self-employment-driven public businesses get 0% loans, GST rebates, and no corporate tax; private sector pays 50% corporate tax to level the playing field.
- ▶ **Three Pricing Options for Private Businesses** – Choose: (a) self-declared annual price, (b) average market price, or (c) government-controlled fixed price below market (with tax exemption).
- ▶ **Fixed Prices Combat Information Asymmetry** – Prevents exploitation of less-informed farmers and consumers by speculators and traders, as seen in volatile garlic market examples.
- ▶ **Exception for Foreign Input Costs** – Price adjustments allowed within the year for imported inputs (e.g., petroleum), but domestic labour, rent, and profit remain fixed annually.

Fixed Annual Pricing: Controlling Inflation and Information Asymmetry in a Barter–Standard Economy (92–94)

- ▶ **Annual Price Declaration by Businesses** – Every producer or service provider declares their value–addition price for the entire financial year in advance, eliminating daily or hourly price fluctuations.
- ▶ **Prohibition of Demand–Pull Inflation** – Since domestic goods prices cannot change within the year, excess demand cannot trigger price hikes; shortages are managed through digital rationing instead.
- ▶ **Self–Management of Cost–Push Inflation** – Domestic input costs (labour, rent, profit) are fixed annually; only foreign input cost variations can cause mid–year price adjustments.
- ▶ **Protection Against Information Asymmetry** – Fixed prices prevent shopkeepers from charging different prices to informed vs. less–informed buyers, ending exploitation seen in volatile markets (e.g., garlic price example).
- ▶ **Government Brand & Quality Assurance** – Products carry a government brand mark alongside private branding, helping consumers overcome bounded rationality and misleading advertising.
- ▶ **Tax Adjustment for Imported Inputs** – To stabilise prices of essential goods with foreign inputs (e.g., mobile phones, fuel), the government adjusts GST or provides cross–subsidies mid–year.
- ▶ **Historical Precedent of Price Stability** – During the Victorian gold standard (1870–1914), UK inflation averaged near zero while real wages rose over 50%, proving long–term price stability is achievable.

Annual Fixed-Price Determination in the Barter-Standard Economy: Private and Public Sector Mechanisms (95-96)

- ▶ **Economic Survey & Tax Setting (April-July)** – Government conducts an economic survey and parliament finalises tax rates for the next financial year (January-December) before any price negotiations begin.
- ▶ **Annual Job Fair for Wage Negotiation (August)** – Workers and employers negotiate salaries/wages for the entire financial year at a government-facilitated fair; no mid-year revisions are permitted.
- ▶ **Sequential Price Declaration by Sector** – Prices are set in a fixed order: Category A (fuel/electricity) → B (core) → C (primary) → D (commodity) → E (partly finished) → F (semi-finished) → G (finished) → H (doubly finished), each with strict deadlines.
- ▶ **Price Control Authority for Essential Goods** – For fuel and electricity, the Authority can adjust GST rates or apply cross-subsidies within the sector to maintain uniform national prices despite international price volatility.
- ▶ **Bargaining Limited to Profit Margin** – All input costs (rent, labour, transport, depreciation, insurance) are fixed; bulk customers can only negotiate the business profit per unit during designated bargaining windows.
- ▶ **Public Sector Prices at Least 10% Below Private** – The Association of Public Sector Representatives sets prices; the Controller ensures public brand products are at least 10% cheaper than the average private brand equivalent, aided by tax exemptions and lower advertising costs.
- ▶ **Controller as Referee** – The Price Control Authority Chairperson presides over meetings, enforces the 10% rule, and casts tie-breaking votes; public sector may voluntarily reduce prices further without interference.

Progressive Taxation and Tax Rebate Mechanisms in the Barter–Standard Economy (97–98)

- ▶ **Consumption Tax Replaces Income Tax** – A flat consumption tax (e.g., 50%) is levied on all goods/services, functioning as a progressive income tax without incentives for income concealment.
- ▶ **Equal Tax Rebate for All Citizens** – Every citizen receives an upfront tax rebate amount at the start of each financial year, ensuring lower-income groups pay zero consumption tax on basic necessities.
- ▶ **Corporate Tax Only on Private Sector** – Private profit-driven businesses pay corporate tax (as a consumption tax cess), while self-employment-driven public sector businesses are fully exempt.
- ▶ **Tax Rebate for Public Sector Investment** – Non-profit public sector businesses receive tax rebates on investment decisions, encouraging lower prices for government-branded products.
- ▶ **Progressive Land Value, Wealth & Inheritance Taxes** – These taxes reduce wealth inequality; land value tax separates title from possession, preventing land fragmentation while promoting equitable distribution.
- ▶ **Foreign & New Technology Taxes** – Additional duties on disruptive tech imports (and domestic new tech) fund retraining and skilling of workers displaced by technological change.
- ▶ **Tax Rebate Deters Black Markets & Enables Rationing** – Rebate access requires formal invoices, encouraging digital payments, fixed-price compliance, and efficient rationing of scarce goods without informal markets

A New International Monetary System: From Bancor to Currency Swapping and Gold-Anchored Trade (99–100)

- ▶ **Flaws of the Current Reserve Currency System** – Holding 20% of GDP as unproductive foreign currency reserves is unscientific; the US dollar’s “exorbitant privilege” forces other nations to bear the cost of dollar hegemony.
- ▶ **Keynes’s Bancor and Its Rejection** – Keynes proposed an International Clearing Union with Bancor (a ledger-based currency) to eliminate reserve currencies, but trade surplus nations (US then, China now) reject the fines on surpluses.
- ▶ **Gold-Anchored Barter Currency for Foreign Trade (GABCFT/IBC)** – Countries adopt a uniform unit of account (e.g., 10g gold coin); exporters receive digital IBC tokens, which importers use to buy goods or gold, avoiding reserve currencies.
- ▶ **Currency Swapping as a Modern Alternative** – Digital swapping centres allow real-time exchange of commodity-standard currencies without physical gold movement; the Chiang Mai Initiative and m-Bridge project are early examples.
- ▶ **Separate Money for International Trade (MFT / CMMG)** – Domestic MCI money is kept separate from international MFT money, preserving trade balance tracking and insulating the domestic economy from external volatility.
- ▶ **Real-Bills Doctrine for International Trade** – Every international invoice is digitally registered in a central repository; money creation is backed by genuine trade bills, preventing speculative flows and enabling zero-cost clearing.
- ▶ **A Reformed Bancor via Swapping & Digital Ledgers** – Remove fines on surplus nations, replace with incentive-based reinvestment; use blockchain and CBDCs to operate a neutral UN-backed clearing house, ending dollar monopoly.

Deficit Financing via Deferred Payment Instruments in a BSUAMS-Compliant Economy (101–102)

- ▶ **Deferred Payment Certificates (DPCs) and Instruments (DPIs)** – The National Bank for Businesses issues DPCs; after stamping by the National Bank for New Money, DPIs become a tool for deficit financing without immediate money creation.
- ▶ **Partial Salary Deferral (Up to 50%)** – Businesses may pay workers up to 50% of wages via DPIs (deferred 1–5 years), justified by youth unemployment, dual-spouse employment guarantees, and stable or appreciating money value.
- ▶ **Forced Savings for Capital Accumulation** – Deferred wages create a pool of mandatory savings, reducing the need for foreign direct investment (FDI) and preserving national sovereignty while funding infrastructure.
- ▶ **Alternative to Keynesian Deficit Financing** – Unlike Keynesian models that cause inflation and public debt traps, BSUAMS deficit financing halts current consumption but maintains monetary value, avoiding generational debt burdens.
- ▶ **DPBE for Broader Transactions** – The Deferred Payee Bill of Exchange (DPBE) can be used to purchase shares, land, or housing if the seller accepts deferred payment, helping maintain CMB liquidity.
- ▶ **Mandatory Attachment to Registered Invoices** – All DPCs, DPIs, and DPBEs must be linked to electronically registered bills or contracts, preventing misuse (unlike mobile payment systems such as Alipay or UPI that lack bill attachment).
- ▶ **No Money Illusion** – Since BSUAMS money has fixed commodity-anchored value, deferred payments do not deceive workers through hidden inflation, contrasting with Keynesian “money illusion” where real wages fall while nominal wages stay constant.

Barter–Standard Banking: Nine Banks, Multiple Monies, and Folder Accounts (104–105)

- ▶ **Nine Specialised Government Banks** – Each bank operates autonomously with distinct monetary circuits: NBNM (MCI token), NBC (citizen accounts, PCC, MSP), NBB (CMB ledger money, DPC, DPBE), NBBI (investment), NBFT (foreign trade), NBSM (stock/gambling fiat), NBIP (property fiat), NBFM (futures), NBWCPL (welfare/personal loans).
- ▶ **MCI Token Currency (3–Year Lifecycle)** – Issued by NBNM for consumption/investment, anchored to a 10–gram copper coin (PCC). Unused MCI expires after three years, forcing circulation or saving.
- ▶ **CMB Ledger Money for Working Capital** – NBB provides zero–cost bill/invoice discounting under the real–bills doctrine. CMB has no time limit and converts to MCI when paid as salaries, wages, or dividends.
- ▶ **Separate Fiat Monies for Speculation** – NBSM issues MSG (Money for Stock & Gambling) and NBIP issues MLP (Money for Landed Property), isolating stock market and real estate volatility from the real economy.
- ▶ **Gold–Pegged International Trade Money** – NBFT issues MFT (digital token, 100% gold–backed, 3–year validity) and physical gold coins (PGC) for foreign trade, plus MFBT barter tokens for reciprocal trade.
- ▶ **Folder–Account System under Master Accounts** – NBC offers Personal Income, Consumption, Savings, Child, and Disabled accounts. NBB provides 30+ cost–component folders (labour, transport, depreciation, self–insurance, etc.) for CMEAS–compatible invoicing.
- ▶ **Welfare Credit with 20% Income Deduction** – NBWCPL provides government–guaranteed loans for education, health, and disaster relief. No time limit, no foreclosure during lifetime; repayment via automatic 20% deduction from income. Personal loans charge a one–time service fee.

Abolishing Personal Income Tax: How Consumption Tax Replaces It in the Barter-Standard Economy (107)

- ▶ **Flat GST Levied in Advance** – When a business seeks CMB credit to start value addition, a flat GST (e.g., 50%) is collected upfront; the entire tax burden automatically transfers to the final consumer via blockchain accounting.
- ▶ **MCI Currency Embeds the Tax Component** – MCI money includes the consumption tax; when a final consumer uses MCI for personal purposes, they pay the tax originally collected at the start of the production chain.
- ▶ **Back-Stamping vs. Front-Stamping** – For consumption loans, banks issue back-stamped MCI; for capital investment loans, they issue front-stamped MCI, separating the two uses through different clearing channels.
- ▶ **No Direct Use of MCI for Capital Goods** – Even salary, wage, or dividend income in MCI cannot be used directly to purchase capital goods; it must first be deposited via the income account, then withdrawn as front-stamped currency.
- ▶ **Tax Rebate Coupons Protect the Poor** – A flat 50% consumption tax would burden weaker sections, so they receive advance tax rebate coupons, paying zero consumption tax on essential purchases.
- ▶ **Consumption Tax as Disguised Income Tax** – Wealthy individuals receive no rebate; their 50% consumption tax functions as progressive personal income tax, while capital investment remains tax-rebate eligible even for the rich.
- ▶ **Business Income Tax Only on Private Profit Sector** – Private profit-driven businesses pay a flat business profit tax at sale point; public sector (self-employment-driven) businesses are fully exempt from business income tax.

Choosing Monetary Standards: Copper for Domestic, Gold for International in the Barter Economy (110–111)

- ▶ **Gold for International Trade** – A 10-gram, 24-carat gold coin (or digital MFT/CMMG) is recommended for cross-border transactions due to universal recognition and portability.
- ▶ **Copper for Domestic Use** – Copper is chosen as the ideal domestic monetary standard: industrially significant, stable long-term demand, less prone to manipulation, and historically proven.
- ▶ **Labour Note Rejected for Now** – Despite theoretical appeal, no scientific method exists to quantify labour value; Marx himself disagreed with Gray's labour-note approach.
- ▶ **Food Basket Impractical** – A commodity basket of food items would fail because seed varieties and crop characteristics change annually, making a fixed standard impossible.
- ▶ **10-gram Copper Coin as Unit of Account** – One unit of MCI, CMB, and MSP equals ten grams of highest-grade copper; physical coins are encased in plastic and available from the Treasury.
- ▶ **Two Distinct Metals, Not Bimetallic Standard** – Copper serves domestic needs, gold settles international trade; separation is essential to maintain balance of payments, unlike historical bimetallism.
- ▶ **Future Alternative: Labour Theory of Value** – If copper becomes manipulated, a labour-based monetary unit could emerge, with a maximum 20-fold wage ratio (e.g., 1 unit = 10 kg rice for manual labour).

BSUAMS Monetary System: MCI Lifecycle, Unsold Goods, and Superiority over CBDC (114–116)

- ▶ **MCI Creation & Destruction** – MCI (Money for Consumption/Investment) is created when industrial goods reach retailer shelves and destroyed upon final sale to consumer/investor, ensuring money supply always equals goods value.
- ▶ **Three-Year Lifecycle & Unsold Goods** – Retailers must sell within 3 years; unsold goods can be returned to manufacturer with penalties (10% first year, 30% second, 50% third), avoiding debt foreclosure.
- ▶ **Single-Use MCI with Stamping Rules** – MCI is valid 3 years: 1st year for personal consumption, then back-stamped for loans, 3rd year front-stamped exclusively for capital investment.
- ▶ **Separate Speculative Monies (MSG & MLP)** – Fiat monies for stock market/gambling (MSG) and landed property (MLP) isolate financial and real estate volatility from the mainstream economy.
- ▶ **Endogenous CMB for Value Addition** – Credit Money for Businesses (CMB) is created out of thin air in bank ledgers under the Real Bills Doctrine, used only for working capital, then replaced by MCI when wages/dividends are paid.
- ▶ **Shock-Resilient vs. CBDC/Sovereign Money** – Unlike CBDC or Chicago Plan proposals, BSUAMS separates monetary circuits; speculative money absorbs shocks, and money creation/destruction is fully controlled without bailouts.
- ▶ **Reviving Real Bills Doctrine Post-1844** – By separating MCI (consumption) from CMB (working capital), BSUAMS reapplies RBD safely, simplifies taxation, and promotes full employment without inflationary spirals.

Business Cycle–Free Economy: The BSUAMS Monetary Framework (Chapters 117–119)

- ▶ **Money Tied to Production Cycle** – MCI (Money for Consumption/Investment) is created only when final goods reach retailers and destroyed upon final sale, ensuring money supply always equals the value of goods – no business cycle.
- ▶ **Unsold Goods Return Mechanism** – Retailers can return unsold goods to manufacturers with penalties (10% first year, 30% second, 50% third). The corresponding money log is cancelled, preventing monetary contraction.
- ▶ **Compulsory Money Destruction Prevents Hoarding** – Unused MCI expires within 3 years. Excess savings incur a negative service charge, forcing money into circulation without government borrowing or Keynesian deficit financing.
- ▶ **Self-Correcting Balance of Payments** – Gold-pegged MFT for international trade: a trade deficit reduces domestic money supply, lowers prices, and boosts exports – reviving David Hume’s price-specie flow mechanism automatically.
- ▶ **Flaw of Fiat and Gold Standard** – Both systems allow money supply to grow independently of real output (e.g., US money supply tripled 1920–29 without gold growth), causing asset bubbles, inflation, and busts. BSUAMS permanently links money to production.
- ▶ **Speculative Monies Isolated** – Stock market (MSG) and real estate (MLP) use separate fiat currencies. Shocks in these sectors do not affect the mainstream BSUAMS economy, unlike the 2008 crisis.
- ▶ **Alignment with Labour Theory of Value** – Monetary logs are created/destroyed based on actual production and consumption of goods, eliminating excess liquidity and long-term instability without bailouts or central bank interventions.

Empowering Small Businesses, Income Equality, and Limited Liability in the Barter–Standard Economy (Chapters 120–122)

- ▶ **Extra Incentives for Non-Profit, Self-Employment-Driven Businesses** – These businesses receive collateral-free credit, service-charge exemptions, tax rebates, and free access to technology/IPR, leveling the playing field against large corporate lobbies.
- ▶ **Government-Controlled Fixed Price Regime** – In return for incentives, non-profit businesses must sell goods/services at government-controlled prices, ensuring affordability and stability.
- ▶ **Addressing Economic Concentration** – The system counters oligarchic influence by reducing regulatory burdens, providing free blockchain accounting, and eliminating unfair advantages from patents and trademarks.
- ▶ **Income Disparity Limits: 1:10 for Public Sector** – Based on Soviet experience (80–500 roubles range), the public sector (self-employment-driven) should maintain a maximum tenfold wage difference between lowest and highest earners.
- ▶ **1:20 Limit for Private Sector with Progressive Tax** – Private profit-driven businesses may have up to a twentyfold income disparity; exceeding this triggers higher corporate tax to encourage narrower gaps.
- ▶ **All Businesses Become Limited Liability** – Since all working capital credit comes from government banks (interest-free, collateral-backed) and private credit is prohibited, every registered business automatically qualifies as limited liability.
- ▶ **Full Voting Rights for All Shareholders** – Once a business repays MCI loans and converts to share capital, every shareholder (not just promoters) gets voting rights, eliminating non-voting shares and agency problems.

The Real Bills Doctrine Revisited: Lessons from the Currency School's Failures (Chapters 124–126)

- ▶ **Both Fiat and Commodity Standards Mismatch Real Economy** – Neither system aligns total money supply with the monetary value of goods/services, causing inflation (fiat) or deflation (gold standard).
- ▶ **Real Bills Doctrine (RBD) Proposed by Adam Smith** – Money should be issued against short-term commercial bills tied to actual trade, making money supply self-liquidating and linked to productive activity.
- ▶ **Currency School Won in 1844, But Crises Continued** – After Britain adopted gold-backed note issuance (Peel's Act), crises still occurred in 1847, 1857, 1866, 1873, and repeatedly – gold reserves did not prevent instability.
- ▶ **Law of Reflux Requires Separate Monetary Circuits** – Excess money naturally returns to banks only if speculation is isolated. BSUAMS separates working capital money (CMB) from consumption money (MCI) and speculative monies (MSG, MLP).
- ▶ **Modern Banks Create Money Endogenously** – Bank of England (2014) confirmed loans create deposits; commercial banks don't need reserves. This makes Currency School's reserve requirements obsolete.
- ▶ **Fiat Money Era (1971–Present) Has Seen Repeated Crises** – From 1982 debt crisis, 1991 India BoP, 1997 Asian crisis, 2008 global crash, to 2023 bank failures – all under fiat, unlike the relatively stable Bretton Woods period (1945–1971).
- ▶ **RBD with Modifications Offers a Solution** – By linking CMB to real bills and using zero-cost discounting, and MCI to production cycle, BSUAMS revives the Banking School's vision while avoiding speculative bubbles and debt traps.

Rethinking Welfare Economics: Why Consumption and Inflation Taxes Harm the Poor (Chapters 127–130)

- ▶ **Regressive Taxation Funds Most Welfare** – Governments rely on consumption taxes (VAT/GST) and inflation (hidden tax), which disproportionately burden the poor due to their higher propensity to consume, while the wealthy pay far less proportionally.
- ▶ **Inflation Tax Benefits the Rich (Cantillon Effect)** – New money creation first benefits banks and asset holders; the poor on fixed incomes lose purchasing power, while the wealthy gain from rising real estate and stock prices.
- ▶ **Freebie Culture Is a Fiscal Illusion** – For every £2 collected from the poor via regressive taxes, only £1 returns as welfare after bureaucratic costs and corruption; the rest funds elite luxuries (e.g., golf clubs, posh infrastructure).
- ▶ **Government Schools Declined After “Free” Education** – When fees were removed, quality deteriorated, political appointments increased, and private schools boomed; midday meals attracted poor children for food, not learning.
- ▶ **Welfare Credit as a Superior Alternative** – Barter Standard economy offers mandatory, collateral-free, 0% interest loans for education, health, and disaster relief. Repayment is income-contingent (max 20% deduction), with no recovery from ancestral property and write-off upon death without assets.
- ▶ **No Free Lunch: Welfare Is Never Free** – Governments cannot provide anything free; they collect double indirectly. A welfare state funded by regressive taxes is inherently inequitable and often exploits the poor to enrich the wealthy.
- ▶ **Minimal Government via Progressive Taxes Only** – Ideal governance would fund all expenses through income, wealth, and inheritance taxes (progressive), eliminating consumption and inflation taxes, thereby lowering prices and increasing household savings for self-financed welfare

BSUAMS as a Solution to Financialisation, Business Cycles, and Economic Injustice (Chapters 131, 137, 138)

- ▶ **Separate Monetary Circuits for Speculation** – BSUAMS isolates speculative money (MSG for stocks/gambling, MLP for landed property) from non-speculative MCI/CMB, preventing stock market and real estate volatility from disrupting the real economy.
- ▶ **Ending the Boom-Bust Cycle** – By linking MCI money creation directly to the production of final goods and destroying it upon consumption/investment, BSUAMS eliminates business cycles without requiring Keynesian deficit finance.
- ▶ **Financialisation Exacerbates Cycles** – Financialisation (dominance of financial motives over productive activity) amplifies economic booms and busts. Politicians opportunistically shift between liberalism, conservatism, and protectionism without addressing root causes.
- ▶ **Flaws of Neoliberalism and Fiat Money** – Reagan-Thatcher neoliberalism retained fiat money and financialisation, leading to repeated crises (2008, 2023). Trump's crypto-promoting mercantilism is another opportunistic shift, not a solution.
- ▶ **Neutral Monetary Medium Required** – Neither classical liberalism nor Marxism developed a neutral monetary system. BSUAMS provides a commodity-anchored unit of account (copper domestically, gold internationally) immune to manipulation.
- ▶ **Managing Rent, Interest, and Profit** – BSUAMS abolishes interest, prohibits intellectual property rent, and implements land value tax (Henry George) with equal title distribution (1 acre per citizen). Private profit is taxed progressively (up to 94% as under FDR).
- ▶ **Welfare Credit Instead of Regressive Taxation** – Consumption and inflation taxes are eliminated. Every citizen receives collateral-free, 0% interest welfare credit for education/health, repayable at 20% of income only if employed; debt written off at death without assets.

Why BSUAMS Outperforms Fiat, Commodity, and Sovereign Money Systems (Chapters 134, 139, 140)

- ▶ **Fiat and Gold Standard Both Fail** – Fiat leads to stagflation and debt traps (e.g., Japan's 250% debt/GDP); gold standard caused deflationary depressions. Neither links money supply to real economic activity.
- ▶ **BSUAMS Prevents Recessions & Depressions** – MCI money is created only when goods reach retailers and destroyed upon final sale, ensuring money supply always equals goods value – no boom–bust cycle.
- ▶ **Working Capital Loans Have Built-in Safeguards** – CMB credit includes 50% TDS at source; if funds are misused, the full loan must be repaid. If used for intended production, the loan and tax adjust automatically via invoice clearance.
- ▶ **Speculative Markets Do Not Affect the Real Economy** – Stock market (MSG) and real estate (MLP) use separate fiat monies. Losses in speculation never disrupt MCI/CMB circuits; consumption and investment continue uninterrupted.
- ▶ **Sovereign Money Models Are Incomplete** – Even with interest-free government loans, boom–bust cycles persist (politicians print money for elections, capital flight occurs). BSUAMS mandates that all MCI money be spent or invested within 3 years, preventing hoarding and flight.
- ▶ **Retailers Cannot Exploit Demand–Pull Inflation** – Prices are fixed at packaging; manufacturers control final retail price. Retailers earn a fixed commission and cannot raise prices during shortages.
- ▶ **Emergency Paper Currency Backup** – In war or natural disaster when digital payments fail, district magistrates distribute commodity-standard paper money (signed by recipients) with 1-year validity. Manual ledgers are maintained alongside digital records using continuous-feed cloth printers.



Thanking you